

CERTIFIED PUBLIC MANAGER (CPM) PROJECT

Best Option for Managing Clients Personal Funds In A Community Mental Health Outpatient System



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Introduction

The mission of the South Carolina Department of Mental Health (hereafter referred to as SCDMH or the “Agency”) is to support the recovery of people with mental illness. Its priority is serving adults and children affected by serious mental illnesses and significant emotional disorders. Crisis services, clinical treatment, recovery care, and support services are provided through a network of inpatient and outpatient systems. The inpatient system consists of four (4) psychiatric hospitals, three (3) nursing homes and two (2) forensic programs. The Agency’s outpatient, community-based system is comprised of seventeen (17) Community Mental Health Centers (CMHCs) with 64 clinics and satellite offices, which serve all 46 counties throughout South Carolina. *The focus of this project is the management of client personal funds within a community mental health outpatient system.*

During fiscal year 2009, SCDMH served approximately 95,273 people through its community mental health outpatient system. While many of these clients receive their Social Security and Supplemental Security Income (SSI) payments directly, some need assistance in managing their benefits. As a result, Social Security Administration (SSA) regulations allow for the appointment of a *representative payee*, who receives the check on behalf of the beneficiary and provides for their personal needs.

For many beneficiaries, a family member or friend serves as the representative payee. However, for a growing number of individuals, no one is available to fill this role. In an

effort to ensure that beneficiaries who are unable to handle their own benefits have qualified representative payees to act in this capacity, CMHCs provide representative payee/budget management services to clients who have a demonstrated inability to manage their personal financial affairs.

The designated CMHC representative payee/contractor organization is responsible for creating financial stability and enhancing the quality of life for clients by ensuring that benefit payments are used for basic needs, providing money management assistance, and safeguarding and protecting personal funds. The goal is for clients to eventually learn to handle their own financial responsibilities and no longer require the services of the CMHC representative payee/contractor organization as they progress in their recovery. To this end, the designated CMHC representative payee/contractor organization develops, reviews, and revises budgets with clients. As progress is realized, clients are given increasingly larger amounts of personal funds for discretionary spending.

Community Mental Health Centers are not required to provide money management services to its clients. However, several centers are providing these services to their clients through various administrative arrangements. A survey of the seventeen (17) CMHCs revealed the following results (Attachment D): Four (4) centers manage their representative payee services using in-house staff. Seven (7) centers have contracted with outside providers for a fee to manage their clients' personal funds. The other six (6) centers have elected to refer their clients to other community organizations providing this service at no cost to the center. In all cases, the providers of these budget management services will serve as the representative payee for the client.

Problem Statement:

As noted earlier, the Agency's representative payee programs are not provided to clients' in the same manner among the Community Mental Health Centers. Some locations pay a set monthly fee per account to an outside contractor to manage the clients' accounts while other centers utilize in-house staff to manage their representative payee program. Also, a select few only refer clients to another organization at no cost to the center. If SCDMH continues to offer budget management services to its outpatient clients during these budget reduction times, is it more beneficial and cost effective to provide the services in-house or to contract it out to outside providers?

Data Collection:

To determine which process might be best for the client and most cost effective for the Agency, the following data was gathered.

1. Contacted each CMHC to inquire if they provide representative payee service and if so, is it provided in-house or by an outside contractor.
2. Identified the number of clients being served and their account balances to determine the significance of the service agency-wide.
3. Reviewed contracts of outside providers of the service.
4. Reviewed a program managed in-house by the Center.
5. Reviewed Federal regulations and Internal Policies and Procedures.
6. Reviewed the Social Security Administration audit requirements.
7. Reviewed salaries of staff managing in-house programs to determine the cost.

Data Analysis

Survey Results

Based on the survey results of the Seventeen (17) Mental Health Centers, there were four (4) Centers that managed a total of 123 representative payee accounts in-house, with a total of approximately \$90,000 in the clients' personal accounts. Seven (7) Centers used outside contractors to manage 690 representative's payee accounts, with a total of approximately \$750,000 in their personal accounts. The other six (6) Centers did not provide the service to clients. Instead, the Centers would refer the client to an outside agency if they desired to have the service.

Contracts Review

A review of the seven (7) contracts for the outside providers indicated the following requirements:

1. The outside contractor must be appointed as representative payee for the client receiving the benefits from the applicable agency (Social Security Administration, Veterans Administration or other) before any budget management is provided.
2. Once appointed as representative payee, the contractor assumes all responsibilities and duties such as maintenance of funds, use of funds, maintenance of records, etc.
3. The contractor must comply with the regulations and reporting requirements of the funding Agency.

4. The contractor must provide evidence that all employees of the contractor responsible for handling client funds are bonded.
5. Contractors' monthly fee per account ranged from \$23 to \$35. The fee is often paid by the CMHC.
6. Per the Agency vendor payables system, total payments made to contractors during FY 2009 for Representative Payee Services were approximately \$50,000.

In – House Program

The Center selected for review for this project managed thirty (30) representative payee client accounts. The representative payee service is provided only to those clients who are unable to handle their own funds. The determination is made by a staff clinician and is also reviewed with the administrative specialist managing the funds. Once the decision has been made, the administrative specialist requests the Social Security Administration to appoint the Center as the payee for the client's benefits. After the Center is named payee, a basic checking account is opened for the client at a local bank and the clients SSI checks are sent by direct deposit. The monthly service fee of \$3 is charged to the client's bank account.

On a monthly basis, the case manager and client establish a budget for the client. The administrative specialist prepares checks to pay the client's bills from their checking account then uses the approved budget. Each check requires two signatures from authorized Center personnel, who must be someone other than the individual who

prepared the check. The checks are then sent back to the administrative specialist who mails them to the appropriate place.

Monthly, each client bank statement is maintained and reconciled by the administrative specialist. Copies of the reconciliations are sent to the case manager and the original along with the bank statements and other documents are filed in the client's folder. The administrative specialist is also responsible for completing and filing the annual SSA reports.

Federal regulations and Internal Policies and Procedures

The code of Federal Regulations 20 CFR 404 Subpart U-Representative Payment (Attachment A) provides the federal regulations and reporting requirements of the Social Security Administration and Veterans benefits when providing representative payee services. The South Carolina Department of Mental Health, Division of Financial Services Policy and Procedure number 9.3.2: Contractor as Representative Payee for Center Clients (Attachment B) provides the requirements and the procedures for the management of clients' personal funds by contract with a third party entity to serve as representative payee for CMHC clients. Finally, a South Carolina Department of Mental Health memorandum dated July 12, 1994 (Attachment C) addresses the management of personal funds of CMHC clients by the center (in-house) was also reviewed. The intent of the memorandum was to provide guidance to the centers until they could be incorporated in the financial policies and procedures manual. However, because a decision was never made on where the funds over \$1,000 would be invested the

procedures concerning the in-house management of these funds were never made a part of the Agency's financial manual.

The Social Security Administration Audits

Congress granted the Social Security Administration (SSA) the authority to appoint representative payees to receive and manage these beneficiaries' payments. As a result, the SSA conducts independent and objective audits, evaluations, and investigations of representative payee programs.

The primary objective of the audits are to determine if the representative payee: (1) have effective safeguards over the receipt and disbursement of Social Security benefits and (2) ensured Social Security benefits are used and accounted for in accordance with SSA's policies and procedures.

A written report is issued after each audit. The outside contractor providing the service for the center is required to provide the center with copies of audits conducted by the Social Security Administration and/or other independent auditors.

SCDMH Personnel Cost for In-House Programs

A review of personnel data indicated that Centers providing representative payee services in-house primarily utilize administrative staff for managing the clients' accounts. The positions for the four individuals responsible for managing the clients' accounts ranged from Administrative Assistant to a Center Administrator. The annual salaries ranged from \$21,375 to \$46,488. Finally, the percentage of time each spends managing their

center's client accounts ranged from less than 10% to 80%. As a result, the cost of this service varies considerably among centers.

Pros and Cons

Based on interviews with several Community Mental Health Center Directors and the Division of Community Mental Health Services, Senior Center Liaison Manager the following pros and cons were offered for providing the services both in-house and by outside contractors.

In-House Pros:

- Center staff knows the clients, because many interact with them while at the Center for day programs and/ or receiving their mental health services.
- Center staff can best ensure that the Center clients are receiving items he or she need to remain stable and out of the hospital
- The Center can provide strong controls over the clients' bank accounts.
- Rural communities may not have outside vendors available to provide the service outside of the Center.

In-House Cons:

- Appearance of Conflict of Interest – Many people view the Agency as the clients' custodian.

- The Department of Mental Health could receive negative press if funds are misused or appear to be misused by an employee.
- Managing the client accounts are very labor intensive - Use of staff time and the cost to manage the accounts.

Outside Contractors Pros:

- Allows for the separation the functions of providing therapeutic services and money management services by the same organization.
- Contractors maybe more experienced in the area of money management and investments
- Contract employees are required to be bonded. Also, if misuse of a client's funds should occur any negative press would be theirs.
- Finally, they can provide the service for less cost.

Outside Contractors Cons:

- Bank Access - The Contractors bank maybe located outside of the client's home location. This could cause transportation problems.

Summary and Recommendations

Most people who receive services from the South Carolina Department of Mental Health through the Community Mental Health Centers programs are considered indigent and receive third party assistance in the form of Social Security or Veterans benefits. A Center being able to provide Representative Payee services to clients who are in need of it at no cost to them is a noble service. However, the question is, during these challenging economic times and budget reductions, should the eleven Centers currently providing in-house or contractual Representative payee services continue to do so at an annual combined estimated cost of \$130,000? As noted earlier in the report, each CMHC can elect to provide the service to its client. However, six Centers have chosen to refer their clients in need of budget management services to other outside organizations at no cost to the Center.

Data clearly states that whether representative payee client accounts are managed in-house or by an outside contractor there are many pros and cons to consider. It also indicates that there are stringent federal and internal regulations required when providing the service. Finally, data indicated that between managing the service in-house or by an outside contract it is more cost effective to use an outside contractor.

I believe as long as the choice of how to provide the service is left up to the Center and not mandated by Agency management, Centers will continue to provide the service to clients even at a cost to the Center. As a result, I recommend that the Agency's senior management consider discontinuing the process of providing client representative payee services in-house or by outside contractors where fees are charged to the Centers. Six (6)

of the seventeen (17) centers currently do not provide the service but refer clients to other outside organizations at no cost to the Center. Therefore, we know that it can be done.

To implement the referral process of using outside organizations to provide client representative payee services at the eleven (11) CMHCs managing the service in-house or by outside contractors for a fee, I recommend the following;

- Beginning immediately, these Centers should no longer be allowed to serve as representative payee to new clients.
- The Centers should begin searching for other organizations to provide the services to current clients at no cost to the center.
- The Centers should begin reviewing each client representative payee account and implement a six (6) month transitional plan for transferring the account to a new client representative payee or the client may no longer need the service.

APPENDICES

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ATTACHMENTS

COMMUNITY MENTAL HEALTH CENTERS

ATTACHMENT D

Survey Results

CENTER	REP PAYEE ACCT	SERVICE PROVIDER	NO. of ACCOUNTS	DOLLAR VALUE OF ACCOUNTS
Waccamaw	YES	CONTRACTOR	80	\$ 88,656.89
PeeDee	YES	CONTRACTOR	108	\$ 131,811.00
Greenville	YES	CONTRACTOR	110	\$ 160,430.14
Beckman	YES	CONTRACTOR	62	\$ 54,963.49
Lexington	YES	CONTRACTOR	118	\$ 77,989.52
Columbia Aea	YES	CONTRACTOR	193	\$ 193,331.17
Coastal	YES	CONTRACTOR	19	\$ 41,820.00
Orangeburg	YES	DMH	30	\$ 28,845.80
Catawba	YES	DMH	27	\$ 11,963.49
AOP	YES	DMH*	15	\$ 18,036.38
Piedmont Center	YES	DMH**	51	\$ 33,684.77
			123	\$ 92,530.44
Aiken/Banwell	NO	Referred to Outside Agency		
Berkley	NO	Referred to Family Services in Charleston		
Spartanburg	NO	Referred to Local Mental Health Assoc.		
Charleston/Dorchester	NO			
Santee-Wateree	NO			
Tri-County	NO			

* Will have MHA of Greenville 07/09

** 4 Accounts

Subpart U—Representative Payment

- 404.2001 Introduction.
- 404.2010 When payment will be made to a representative payee.
- 404.2011 What happens to your monthly benefits while we are finding a suitable representative payee for you?
- 404.2015 Information considered in determining whether to make representative payments.
- 404.2020 Information considered in selecting a representative payee.
- 404.2021 What is our order of preference in selecting a representative payee for you?
- 404.2022 Who may not serve as a representative payee?
- 404.2024 How do we investigate a representative payee applicant?
- 404.2025 What information must a representative payee report to us?
- 404.2030 How will we notify you when we decide you need a representative payee?
- 404.2035 What are the responsibilities of your representative payee?
- 404.2040 Use of benefit payments.
- 404.2040a Compensation for qualified organizations serving as representative payees.
- 404.2041 Who is liable if your representative payee misuses your benefits?
- ~~404.2045 Conservation and investment of benefit payments.~~
- 404.2050 When will we select a new representative payee for you?
- 404.2055 When representative payment will be stopped.
- 404.2060 Transfer of accumulated benefit payments.
- 404.2065 How does your representative payee account for the use of benefits?

Attachment A

Attachment A

Social Security Online Code of Federal Regulations

CFR 20 Title Page

**§404.2022 Who may not serve as a representative payee?**

A representative payee applicant may not serve if he/she:

(a) Has been convicted of a violation under section 208, 811 or 1632 of the Social Security Act.

(b) Has been convicted of an offense resulting in imprisonment for more than 1 year. However, we may make an exception to this prohibition, if the nature of the conviction is such that selection of the applicant poses no risk to the beneficiary and the exception is in the beneficiary's best interest.

(c) Receives title II, VIII, or XVI benefits through a representative payee.

(d) Previously served as a representative payee and was found by us, or a court of competent jurisdiction, to have misused title II, VIII or XVI benefits. However, if we decide to make an exception to this prohibition, we must evaluate the payee's performance at least every 3 months until we are satisfied that the payee poses no risk to the beneficiary's best interest. Exceptions are made on a case-by-case basis if all of the following are true:

(1) Direct payment of benefits to the beneficiary is not in the beneficiary's best interest.

(2) No suitable alternative payee is available.

(3) Selecting the payee applicant as representative payee would be in the best interest of the beneficiary.

(4) The information we have indicates the applicant is now suitable to serve as a representative payee.

(5) The payee applicant has repaid the misused benefits or has a plan to repay them.

(e) Is a creditor. A creditor is someone who provides you with goods or services for consideration. This restriction does not apply to the creditor who poses no risk to you and whose financial relationship with you presents no substantial conflict of interest, and who is any of the following:

(1) A relative living in the same household as you do.

(2) Your legal guardian or legal representative.

Attachment A

- (3) A facility that is licensed or certified as a care facility under the law of a State or a political subdivision of a State.
- (4) A qualified organization authorized to collect a monthly fee from you for expenses incurred in providing representative payee services for you, under §404.2040a.
- (5) An administrator, owner, or employee of the facility in which you live, and we are unable to locate an alternative representative payee.
- (6) Any other individual we deem appropriate based on a written determination.

Example 1: Sharon applies to be representative payee for Ron who we have determined cannot manage his benefits. Sharon has been renting a room to Ron for several years and assists Ron in handling his other financial obligations, as needed. She charges Ron a reasonable amount of rent. Ron has no other family or friends willing to help manage his benefits or to act as representative payee. Sharon has demonstrated that her interest in and concern for Ron goes beyond her desire to collect the rent each month. In this instance, we may select Sharon as Ron's representative payee because a more suitable payee is not available, she appears to pose no risk to Ron and there is minimal conflict of interest. We will document this decision.

Example 2: In a situation similar to the one above, Ron's landlord indicates that she is applying to be payee only to ensure receipt of her rent. If there is money left after payment of the rent, she will give it directly to Ron to manage on his own. In this situation, we would not select the landlord as Ron's representative payee because of the substantial conflict of interest and lack of interest in his well being.

[69 FR 60232, Oct. 7, 2004, as amended at 71 FR 61407, Oct. 18, 2006]

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Attachment A

Social Security Online Code of Federal Regulations

CFR 20 Title Page**§404.2025 What information must a representative payee report to us?**

Anytime after we select a representative payee for you, we may ask your payee to give us information showing a continuing relationship with you, a continuing responsibility for your care, and how he/she used the payments on your behalf. If your representative payee does not give us the requested information within a reasonable period of time, we may stop sending your benefit payment to him/her—unless we determine that he/she had a satisfactory reason for not meeting our request and we subsequently receive the requested information. If we decide to stop sending your payment to your representative payee, we will consider paying you directly (in accordance with §404.2011) while we look for a new payee.

[69 FR 60233, Oct. 7, 2004]

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*A Hachment A*Social Security Online **Code of Federal Regulations**CFR 20 Title Page**§404.2035 What are the responsibilities of your representative payee?**

A representative payee has a responsibility to—

- (a) Use the benefits received on your behalf only for your use and benefit in a manner and for the purposes he or she determines, under the guidelines in this subpart, to be in your best interests;
- (b) Keep any benefits received on your behalf separate from his or her own funds and show your ownership of these benefits unless he or she is your spouse or natural or adoptive parent or stepparent and lives in the same household with you or is a State or local government agency for whom we have granted an exception to this requirement;
- (c) Treat any interest earned on the benefits as your property;
- (d) Notify us of any event or change in your circumstances that will affect the amount of benefits you receive, your right to receive benefits, or how you receive them;
- (e) Submit to us, upon our request, a written report accounting for the benefits received on your behalf, and make all supporting records available for review if requested by us; and
- (f) Notify us of any change in his or her circumstances that would affect performance of his/her payee responsibilities.

[71 FR 61407, Oct. 18, 2006]

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Social Security Online

Code of Federal Regulations

CFR 20 Title Page**§404.2040 Use of benefit payments.**

(a) *Current maintenance.* (1) We will consider that payments we certify to a representative payee have been used for the use and benefit of the beneficiary if they are used for the beneficiary's current maintenance. Current maintenance includes cost incurred in obtaining food, shelter, clothing, medical care, and personal comfort items.

Example: An aged beneficiary is entitled to a monthly Social Security benefit of \$400. Her son, who is her payee, disburses her benefits in the following manner:

Rent and utilities	\$200
Medical	25
Food	60
Clothing (coat)	55
Savings	30
Miscellaneous	30

The above expenditures would represent proper disbursements on behalf of the beneficiary.

(2) Notwithstanding the provisions of paragraph (a)(1) of this section, if a beneficiary is a member of an Aid to Families With Dependent Children (AFDC) assistance unit, we do not consider it inappropriate for a representative payee to make the benefit payments available to the AFDC assistance unit.

(b) *Institutional care.* If a beneficiary is receiving care in a Federal, State, or private institution because of mental or physical incapacity, current maintenance includes the customary charges made by the institution, as well as expenditures for those items which will aid in the beneficiary's recovery or release from the institution or expenses for personal needs which will improve the beneficiary's conditions while in the institution.

Example: An institutionalized beneficiary is entitled to a monthly Social Security benefit of \$320. The institution charges \$700 a month for room and board. The beneficiary's brother, who is the payee, learns the beneficiary needs new shoes and does not have any funds to purchase miscellaneous items at the institution's canteen.

The payee takes his brother to town and buys him a pair of shoes for \$29. He also takes the beneficiary to see a movie which costs \$3. When they return to the institution, the payee gives his brother \$3 to be used at the canteen.

Attachment A

Although the payee normally withholds only \$25 a month from Social Security benefit for the beneficiary's personal needs, this month the payee deducted the above expenditures and paid the institution \$10 less than he usually pays.

The above expenditures represent what we would consider to be proper expenditures for current maintenance.

(c) *Support of legal dependents.* If the current maintenance needs of the beneficiary are met, the payee may use part of the payments for the support of the beneficiary's legally dependent spouse, child, and/or parent.

Example: A disabled beneficiary receives a Veterans Administration (VA) benefit of \$325 and a Social Security benefit of \$525. The beneficiary resides in a VA hospital and his VA benefits are sufficient to provide for all of his needs; *i.e.*, cost of care and personal needs. The beneficiary's legal dependents—his wife and two children—have a total income of \$250 per month in Social Security benefits. However, they have expenses of approximately \$450 per month.

Because the VA benefits are sufficient to meet the beneficiary's needs, it would be appropriate to use part of his Social Security benefits to support his dependents.

(d) *Claims of creditors.* A payee may not be required to use benefit payments to satisfy a debt of the beneficiary, if the debt arose prior to the first month for which payments are certified to a payee. If the debt arose prior to this time, a payee may satisfy it only if the current and reasonably foreseeable needs of the beneficiary are met.

Example: A retroactive Social Security check in the amount of \$1,640, representing benefits due for July 1980 through January 1981, was issued on behalf of the beneficiary to the beneficiary's aunt who is the representative payee. The check was certified in February 1981.

The nursing home, where the beneficiary resides, submitted a bill for \$1,139 to the payee for maintenance expenses the beneficiary incurred during the period from June 1980 through November 1980. (Maintenance charges for December 1980 through February 1981 had previously been paid.)

Because the benefits were not required for the beneficiary's current maintenance, the payee had previously saved over \$500 for the beneficiary and the beneficiary had no foreseeable needs which would require large disbursements, the expenditure for the maintenance charges would be consistent with our guidelines.

[47 FR 30472, July 14, 1982, as amended at 54 FR 35483, Aug. 28, 1989]

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Social Security Online Code of Federal Regulations

CFR 20 Title Page



§404.2040a Compensation for qualified organizations serving as representative payees.



(a) *Organizations that can request compensation.* A qualified organization can request us to authorize it to collect a monthly fee from your benefit payment. A qualified organization is:

- (1) Any State or local government agency with fiduciary responsibilities or whose mission is to carry out income maintenance, social service, or health care-related activities; or
- (2) Any community-based nonprofit social service organization founded for religious, charitable or social welfare purposes, which is tax exempt under section 501(c) of the Internal Revenue Code and which is bonded/insured to cover misuse and embezzlement by officers and employees and which is licensed in each State in which it serves as representative payee (if licensing is available in the State). The minimum amount of bonding or insurance coverage must equal the average monthly amount of social security payments received by the organization plus the amount of the beneficiaries' conserved funds (*i.e.*, beneficiaries' saved social security benefits) plus interest on hand. For example, an organization that has conserved funds of \$5,000 and receives an average of \$12,000 a month in social security payments must be bonded/insured for a minimum of \$17,000. The license must be appropriate under the laws of the State for the type of services the organization provides. An example of an appropriately licensed organization is a community mental health center holding a State license to provide community mental health services.

(b) *Requirements qualified organizations must meet.* Organizations that are qualified under paragraphs (a)(1) or (a)(2) of this section must also meet the following requirements before we can authorize them to collect a monthly fee.

- (1) A qualified organization must regularly provide representative payee services concurrently to at least five beneficiaries. An organization which has received our authorization to collect a fee for representative payee services, but is temporarily (not more than 6 months) not a payee for at least five beneficiaries, may request our approval to continue to collect fees.
- (2) A qualified organization must demonstrate that it is not a creditor of the beneficiary. See paragraph (c) of this section for exceptions to the requirement regarding creditors.
- (c) *Creditor relationship.* On a case-by-case basis, we may authorize an organization to collect a fee for payee services despite the creditor relationship. (For example, the creditor is the beneficiary's landlord.) To provide this authorization, we will review all of the evidence submitted by the organization and authorize collection of a fee when:

(1) The creditor services (e.g., providing housing) provided by the organization help to meet the current needs of the beneficiary; and

(2) The amount the organization charges the beneficiary for these services is commensurate with the beneficiary's ability to pay.

(d) *Authorization process.* (1) An organization must request in writing and receive an authorization from us *before* it may collect a fee.

(2) An organization seeking authorization to collect a fee must also give us evidence to show that it is qualified, pursuant to paragraphs (a), (b), and (c) of this section, to collect a fee.

(3) If the evidence provided to us by the organization shows that it meets the requirements of this section, and additional investigation by us proves it suitable to serve, we will notify the organization in writing that it is authorized to collect a fee. If we need more evidence, or if we are not able to authorize the collection of a fee, we will also notify the organization in writing that we have not authorized the collection of a fee.

(e) *Revocation and cancellation of the authorization.* (1) We will revoke an authorization to collect a fee if we have evidence which establishes that an organization no longer meets the requirements of this section. We will issue a written notice to the organization explaining the reason(s) for the revocation.

(2) An organization may cancel its authorization at any time upon written notice to us.

(f) *Notices.* The written notice we will send to an organization authorizing the collection of a fee will contain an effective date for the collection of a fee pursuant to paragraphs (a), (b) and (c) of this section. The effective date will be no earlier than the month in which the organization asked for authorization to collect a fee. The notice will be applicable to all beneficiaries for whom the organization was payee at the time of our authorization and all beneficiaries for whom the organization becomes payee while the authorization is in effect.

(g) *Limitation on fees.* (1) An organization authorized to collect a fee under this section may collect from a beneficiary a monthly fee for expenses (including overhead) it has incurred in providing payee services to a beneficiary. The limit on the fee a qualified organization may collect for providing payee services increases by the same percentage as the annual cost of living adjustment (COLA). The increased fee amount (rounded to the nearest dollar) is taken beginning with the benefit for December (received in January).

(2) Any agreement providing for a fee in excess of the amount permitted shall be void and treated as misuse of your benefits by the organization under §404.2041.

(3) A fee may be collected for any month during which the organization—

(i) Provides representative payee services;

(ii) Receives a benefit payment for the beneficiary; and

(iii) Is authorized to receive a fee for representative payee services.

Attachment A

(4) Fees for services may not be taken from any funds conserved for the beneficiary by a payee in accordance with §404.2045.

(5) Generally, an organization may not collect a fee for months in which it does not receive a benefit payment. However, an organization will be allowed to collect a fee for months in which it did not receive a payment if we later issue payment for these months and the organization:

(i) Received our approval to collect a fee for the months for which payment is made;

(ii) Provided payee services in the months for which payment is made; and

(iii) Was the payee when the retroactive payment was paid by us.

(6) Fees for services may not be taken from beneficiary benefits for the months for which we or a court of competent jurisdiction determine(s) that the representative payee misused benefits. Any fees collected for such months will be treated as a part of the beneficiary's misused benefits.

(7) An authorized organization can collect a fee for providing representative payee services from another source if the total amount of the fee collected from both the beneficiary and the other source does not exceed the amount authorized by us.

[69 FR 60234, Oct. 7, 2004, as amended at 71 FR 61407, Oct. 18, 2006]

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Social Security Online

Code of Federal Regulations

CFR 20 Title Page**§404.2041 Who is liable if your representative payee misuses your benefits?**

(a) A representative payee who misuses your benefits is responsible for paying back misused benefits. We will make every reasonable effort to obtain restitution of misused benefits so that we can repay these benefits to you.

(b) Whether or not we have obtained restitution from the misuser, we will repay benefits in cases when we determine that a representative payee misused benefits and the representative payee is an organization or an individual payee serving 15 or more beneficiaries. When we make restitution, we will pay you or your alternative representative payee an amount equal to the misused benefits less any amount we collected from the misuser and repaid to you.

(c) Whether or not we have obtained restitution from the misuser, we will repay benefits in cases when we determine that an individual representative payee serving 14 or fewer beneficiaries misused benefits and our negligent failure in the investigation or monitoring of that representative payee results in the misuse. When we make restitution, we will pay you or your alternative representative payee an amount equal to the misused benefits less any amount we collected from the misuser and repaid to you.

(d) The term "negligent failure" used in this subpart means that we failed to investigate or monitor a representative payee or that we did investigate or monitor a representative payee but did not follow established procedures in our investigation or monitoring. Examples of our negligent failure include, but are not limited to, the following:

(1) We did not follow our established procedures in this subpart when investigating, appointing, or monitoring a representative payee;

(2) We did not timely investigate a reported allegation of misuse; or

(3) We did not take the necessary steps to prevent the issuance of payments to the representative payee after it was determined that the payee misused benefits.

(e) Our repayment of misused benefits under these provisions does not alter the representative payee's liability and responsibility as described in paragraph (a) of this section.

(f) Any amounts that the representative payee misuses and does not refund will be treated as an overpayment to that representative payee. See subpart F of this part.

[69 FR 60234, Oct. 7, 2004, as amended at 71 FR 61408, Oct 18, 2006]

Attachment A

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Attachment A

Social Security Online

Code of Federal Regulations

CFR 20 Title Page

**§404.2045 Conservation and investment of benefit payments.**

(a) *General.* After the representative payee has used benefit payments consistent with the guidelines in this subpart (see §404.2040 regarding use of benefits), any remaining amount shall be conserved or invested on behalf of the beneficiary. Conserved funds should be invested in accordance with the rules followed by trustees. Any investment must show clearly that the payee holds the property in trust for the beneficiary.

Example: A State institution for mentally retarded children, which is receiving Medicaid funds, is representative payee for several Social Security beneficiaries. The checks the payee receives are deposited into one account which shows that the benefits are held in trust for the beneficiaries. The institution has supporting records which show the share each individual has in the account. Funds from this account are disbursed fairly quickly after receipt for the current support and maintenance of the beneficiaries as well as for miscellaneous needs the beneficiaries may have. Several of the beneficiaries have significant accumulated resources in this account. For those beneficiaries whose benefits have accumulated over \$150, the funds should be deposited in an interest-bearing account or invested relatively free of risk on behalf of the beneficiaries.

(b) *Preferred investments.* Preferred investments for excess funds are U.S. Savings Bonds and deposits in an interest or dividend paying account in a bank, trust company, credit union, or savings and loan association which is insured under either Federal or State law. The account must be in a form which shows clearly that the representative payee has only a fiduciary and not a personal interest in the funds. If the payee is the legally appointed guardian or fiduciary of the beneficiary, the account may be established to indicate this relationship. If the payee is not the legally appointed guardian or fiduciary, the accounts may be established as follows:

(1) For U.S. Savings Bonds—

_____ (Name of beneficiary) _____ (Social Security Number), for whom _____ (Name of payee) is representative payee for Social Security benefits;

(2) For interest or dividend paying accounts—

_____ (Name of beneficiary) by _____ (Name of payee), representative payee.

(c) *Interest and dividend payments.* The interest and dividends which result from an investment are the property of the beneficiary and may not be considered to be the property of the payee.

[47 FR 30472, July 14, 1982, as amended at 54 FR 35483, Aug. 28, 1989]

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Attachment A

Social Security Online Code of Federal Regulations

CFR 20 Title Page

**\$404.2065 How does your representative payee account for the use of benefits?**

Your representative payee must account for the use of your benefits. We require written reports from your representative payee at least once a year (except for certain State institutions that participate in a separate onsite review program). We may verify how your representative payee used your benefits. Your representative payee should keep records of how benefits were used in order to make accounting reports and must make those records available upon our request. If your representative payee fails to provide an annual accounting of benefits or other required reports, we may require your payee to receive your benefits in person at the local Social Security field office or a United States Government facility that we designate serving the area in which you reside. The decision to have your representative payee receive your benefits in person may be based on a variety of reasons. Some of these reasons may include the payee's history of past performance or our past difficulty in contacting the payee. We may ask your representative payee to give us the following information:

- (a) Where you lived during the accounting period;
- (b) Who made the decisions on how your benefits were spent or saved;
- (c) How your benefit payments were used; and
- (d) How much of your benefit payments were saved and how the savings were invested.

[69 FR 60235, Oct. 7, 2004, as amended at 71 FR 61408, Oct. 18, 2006]

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PATIENTS' PERSONAL FUNDS

Division of Financial Services

South Carolina Department of Mental Health

Attachment B

Policy & Procedure Description: CONTRACTOR AS REPRESENTATIVE PAYEE FOR CENTER CLIENTS

P & P # 9.3.2

Revision Number: 1

Effective Date: **MAY 1, 2008**

APPLIES TO:

All community mental health centers of the South Carolina Department of Mental Health (SCDMH).

PURPOSE:

To provide the requirements and the procedures for the management of clients' personal funds by contract with an entity to serve as representative payee for center clients.

POLICY/PROCEDURE:

Contract Requirements for an Entity to Serve as Representative Payee for Center Clients

Centers that do not elect to manage its clients' personal funds may explore other alternatives and, if determined to be advantageous, enter into contracts with other organizations to perform this function. However, center management is duly responsible for ensuring that any such contracts are submitted to Contracts, Division of Financial Services, for review and approval in accordance with *Section 10.26* of this manual.

In these cases where management of clients' personal funds is contracted to a third party, the third party must be duly appointed representative payee for clients (beneficiaries) receiving benefits from the applicable Agency (Social Security Administration, Veterans Administration or other). Contracts must include provisions that the contractor will manage all funds in accordance with all rules and regulations of the funding Agency. In addition, the contractor must provide evidence that all employees of the contractor responsible for handling client funds are bonded in an amount acceptable to the center.

When the center is contracting with a third party for management of client personal funds, the center may not permit a third party to manage client funds until a proper contract is executed and until the contractor is duly appointed representative payee for each client.

Upon execution and approval of the contract and appointment as representative payee for clients by the appropriate Agency, the contractor assumes all responsibilities and duties as required by a representative payee. The contractor shall be ultimately responsible for all payment decisions and disbursements. It is the responsibility of the contractor to obtain from the appointing Agency all information that explains the responsibilities and duties of a representative payee such as the following:

- a. Maintenance of Funds
- b. Uses of Funds
- c. Maintenance of Records/Bills/Receipts
- d. Report Requirements
- e. Changes in Eligibility or Benefits

Center Involvement

Center employees may **not** sign disbursement authorization forms or be directly involved in the handling of client funds or documentation related to client funds managed by a contracted entity.

Center staff **may** consult with the contractor and provide relevant information regarding clients' needs, treatment plans, emergency situations, special considerations and other events that may affect budgets and disbursements and/or that will assist the contractor in the performance of its duties.

Reporting Requirement

The contractor shall forward to center management copies of all audit reports prepared by its internal auditors, external audit firms and funding Agencies (Social Security Administration, Veterans administration, etc.), as applicable.

Upon request, all records pertaining to the contract must be made available to center staff, auditors of the SCDMH, the State of South Carolina, or funding Agencies. All records pertaining to the contract must be retained by the contractor for a period of three years after the expiration or termination of the contract.

Division of Financial Services

Home Page

Attachment B

PATIENTS' PERSONAL FUNDS

Division of Financial Services

South Carolina Department of Mental Health

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Division of Financial Services

Home Page

SOUTH CAROLINA DEPARTMENT OF MENTAL HEALTH

M E M O R A N D U M

TO: Mental Health Center Directors and Business Managers

FROM: John D. Bourne, C.P.A., Director, DoFS
John J. Connery, M.A., Director, CMHS

DATE: July 12, 1994

RE: Management of Personal Funds of MHC Clients

We have received a number of inquiries regarding the management of and the control that should be exercised over clients' personal funds accounts. We have developed the following guidance to assist you in evaluating the adequacy of your current procedures.

These procedures should be fully implemented as soon as possible. We will evaluate any comments you may have as we finalize these procedures for inclusion in the Financial Policies and Procedures Manual.

PROPER SET-UP OF ACCOUNTS

Requirements regarding the acceptable types of bank accounts which may be opened by a Center for proper management of client personal funds are presented below.

1. Center staff must determine the source of funds for all clients because the source of funds determines the type(s) of bank account(s) into which client funds may be deposited.
2. Source of funds include the following:
 - a. Government
 1. Social Security Administration
 2. Veterans Administration
 3. Railroad Retirement
 4. Civil Service Retirement
 5. Other
 - b. Non-government
 1. Alimony
 2. Work programs
 3. Relatives of client
 4. Other

3. For eligible recipients, the Center must make application directly to the local Social Security Administration office or the Columbia office of the Veterans Administration, as applicable, to become representative payee for each eligible client. The center should request the checks be made payable to the following:

"Director of (NAME OF CENTER) Mental Health Center
for (CLIENT'S NAME)"

4. For recipients of other government funds, the Center should contact the Office of Patients' Personal Affairs at 734-7610 for assistance in becoming representative payee on a case by case basis.
5. For social security recipients for which the Center is representative payee, a COLLECTIVE, interest-bearing checking account (fiduciary type) may be opened as follows:

"(NAME OF CENTER) Mental Health Center
as Representative Payee
for Social Security Recipients"

Alternative:

Separate checking accounts may be opened for each recipient for which the Center is representative payee.

In accordance with Social Security regulations, a collective account is permitted provided only social security beneficiaries' funds are commingled and proper subsidiary records are maintained.

(Three signatures are required on signature card, two of which must sign each check.)

~~If a client maintains a balance of \$1,000 or more, a savings account must be opened for that individual client by transferring funds from the collective checking account.~~

6. For veterans administration recipients for which the Center is representative payee, only an INDIVIDUAL interest-bearing (whenever possible) checking account (fiduciary type) may be opened as follows:

"(NAME OF CENTER) Mental Health Center
as V.A. Representative Payee
for (CLIENT'S NAME)"

~~The Veterans Administration prohibits placing the funds of VA recipients into any collective account.~~

Three signatures are required on signature card, two of which must sign each check.

7. For non-government funds recipients, written voluntary authorization must be obtained from each client in order to handle his/her funds.

Non-government funds may be placed in either of the following, as deemed most efficient and economical for client(s) and Center:

- (1) an individual interest-bearing (whenever possible) checking account for each client, or
- (2) a collective, interest-bearing checking account for all recipients of non-government funds.

Account(s) may be opened as follows:

IF COLLECTIVE:

"(NAME OF CENTER) Mental Health Center
for MHC Clients"

When a collective account is used, and a client maintains a balance of \$1,000 or more, a savings account must be opened for that individual client by transferring funds from the collective checking account.

IF INDIVIDUAL:

"(NAME OF CENTER) Mental Health Center
for (CLIENT'S NAME)"

8. When collective accounts are permitted as presented above, proper subsidiary records must be maintained for all individual clients. These records must reflect all transactions (deposits, disbursements, etc.) by date of occurrence including from whom a deposit is received or to whom a disbursement is made. Posting to subsidiary records must be performed immediately to ensure that balances are current.
9. Any cash maintained on hand for cash disbursements to or for clients must be balanced daily. Records (a daily log) must indicate the beginning daily balance, all transactions occurring listing specifically the client and reason for disbursement, and ending daily balance. The client must sign for each cash allowance he/she receives.

10. Before client funds are turned over to any third party/contractor, the third party/contractor must be duly appointed as representative payee by Social Security or Veterans Administration, if applicable. The third party/contractor must properly set up client accounts as prescribed herein with appropriate modifications to identify the entity opening and controlling the account.

INTERNAL CONTROLS OVER MHC CLIENT ACCOUNTS

To ensure that clients' personal funds are properly managed by the Centers, internal control requirements must be followed as presented below:

AUTHORIZATION

A client must give written authorization to the Center to manage his/her personal funds by signing an AUTHORIZATION TO MANAGE FUNDS form (See example - Attachment 1).

RECEIPT AND DEPOSIT OF FUNDS

1. Funds received by the Center for deposit in a client's account must be receipted using an official Department receipt.

If funds are received via mail, a log of incoming mail must be maintained which notes client's name, amount received, and maker of check (or if cash, the name of person from whom received).

2. Deposits into the bank account must be made by an employee other than the custodian of the checkbook and the person receipting the funds in #1 above.

DISBURSEMENT OF FUNDS

1. A monthly budget of expenses must be prepared and agreed to in writing by the patient (See example - Attachment 2).
2. The client must give written authorization, by executing a CLIENT PERSONAL FUNDS DISBURSEMENT FORM (See example - Attachment 3), to disburse funds from his/her account. A Center employee must also sign this authorization signifying that it is a necessary disbursement. Disbursements not budgeted must be fully explained on this form.
3. Two Center employees must sign checks disbursing funds as authorized by the client.

4. Checks may be cashed for spending allowances as budgeted.

The client must sign for cash received each time he/she receives funds.

Funds for shopping (groceries, personal items, etc.) should be supported with a receipt of items purchased.

DOCUMENTATION REQUIREMENTS

1. Generally separate checking accounts must be maintained for different sources of funds (i.e., Social Security Administration, Veterans Administration, Railroad Retirement, Civil Service, etc.) and properly identified. Under no circumstances may these sources of funds be commingled. However, if a client receives funds from multiple sources, an individual checking account for that client would be required.
2. All collective checking accounts (one account for multiple clients) must be supported by detailed subsidiary records for each client.
3. For all clients, the client's budget, the authorization to manage funds and individual disbursement forms must be retained as supporting documentation.

RECONCILIATION PROCESS

1. Checking accounts must be reconciled monthly. The bank statement balance at bank statement date must equal the client account balance at bank statement date. For collective accounts, the bank statement balance must equal the total balance per subsidiary records of individual clients.
2. The monthly reconciliation must be prepared and signed by an employee other than the custodian of the checkbook or signers of the checks.

An option, although not preferred, is to allow the checkbook custodian to prepare the reconciliation, but it must be verified and signed by the Center Administrator/Business Manager.
3. Interest earned must be posted to client accounts upon reconciliation. Interest earned on collective accounts must be allocated to each client's subsidiary account using the same basis as the bank's method of computing interest. *

For example, if the bank computed interest on the minimum balance, then the allocation must be performed by determining the minimum balance for each client and its corresponding percentage. Those disbursements and deposits yet outstanding per the bank statement must also be considered when determining the client's minimum balance for allocation of interest.

4. Any fees and service charges must be allocated to each client's subsidiary record using a fair and reasonable method.

OTHER REQUIREMENTS

1. Under no circumstances should clients' personal funds be commingled with Center funds.
2. A quarterly report of the volume of activity, the status of whether the account(s) are in balance, and any problems shall be sent to the Center Director with copies to the Directors, Community Mental Health Services and Division of Financial Services. *
3. To the extent that Center's contract out the management of its clients' personal funds, Center management is duly responsible for ensuring that the contract terms include provisions that incorporate these guidelines and internal controls over client funds (i.e., contractors must comply with all of the guidelines stated herein).

* (Center management must subsequently review/verify quarterly that the third party manager/custodian is complying with all contract terms.)

4. Center's should not permit or allow a third party to manage clients' funds without a proper contract.

A Center may refer clients to third parties, such as Family Services, Non-profit organizations, volunteers, etc., provided the Center has no involvement in the management or handling of such funds.

AUTHORIZATION TO MANAGE FUNDS

Authorization is hereby granted to the (name of Community Mental Health Center) to receive, manage, and disburse my personal funds. Further, I understand that I will authorize each disbursement by affixing my signature to the appropriate disbursement form and my initials to the itemized transaction listing (client account). I also understand that I can withdraw this authorization at any time, in writing, except in those circumstances where Social Security, Veterans Affairs, or a Court has ordered that (name of CMHC) or its staff serve as my payee. In the event that I am admitted to an inpatient facility my case manager is authorized to disburse my funds as necessary.

My case manager is/is not authorized to issue checks for my rent and/or utilities.

I understand that my account will have to pay for bank charges as would any checking account.

I will not be permitted to exceed the budget my case manager and I have agreed upon until a "cooling-off" period of seven days has elapsed; however, my case manager can authorize exceeding my budget if they believe the circumstances warrant doing so.

THIS STATEMENT HAS BEEN FULLY EXPLAINED TO ME AND I UNDERSTAND IT.

.. Initial Disbursement Plan:

My case manager and I have reviewed my budget.

(Include below any withdrawal limits, withdrawal frequency and level of required case manager involvement): _____

SIGNATURE OF CASE MANAGER

SIGNATURE OF CLIENT

DATE

MONTHLY BUDGET
forINCOME/BENEFITS CHECK:

\$ _____

EXPENSES:

Rent \$ _____

Utilities _____

Food _____

Personal Grooming _____

Automobile Payment _____

Automobile Insurance _____

Personal Insurance _____

Entertainment _____

Savings _____

Other Expenses:

_____	_____
_____	_____
_____	_____
_____	_____

TOTAL EXPENSES:

\$ _____

AMOUNT REMAINING AT END OF MONTH:

\$ _____

My case manager, (name of case manager), and I have discussed the above budget and I agree to follow it. Deviations from the budget must be agreed to by my case manager.

SIGNATURE OF CASE MANAGER_____
SIGNATURE OF CLIENT_____
DATE

CLIENT PERSONAL FUNDS DISBURSEMENT FORM

CLIENT'S NAME: _____ ACCOUNT #: _____

I hereby authorize the disbursement of \$ _____ from my personal funds deposited in my bank account.

DATE_____
SIGNATURE OF CLIENT

REASON FOR DISBURSEMENT: _____

IF THE CLIENT IS AN INPATIENT AND NOT AVAILABLE TO SIGN THIS AUTHORIZATION THE CASE MANAGER WILL PROVIDE A BRIEF STATEMENT CONCERNING THE CIRCUMSTANCES: _____

NOTE: It is the responsibility of the client and case manager to ensure that the disbursement plan and budget are adhered to.

DATE_____
SIGNATURE OF CASE MANAGERCLIENT RECEIPT

CHECK #: _____

BEGINNING BALANCE: \$ _____

DISBURSEMENT AMOUNT: \$ _____

ENDING BALANCE: \$ _____

DATE_____
SIGNATURE OF CASHIER
MAKING DISBURSEMENT